

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Plus 3 Contracts (MC2016-152)  
Negotiated Service Agreements

Docket No. CP2017-250

PUBLIC REPRESENTATIVE COMMENTS ON A  
POSTAL SERVICE NOTICE CONCERNING  
AN ADDITIONAL GLOBAL PLUS 3  
NEGOTIATED SERVICE AGREEMENT

(August 10, 2017)

The Public Representative hereby provides comments pursuant to the Commission Notice establishing Docket No. CP2017-250<sup>1</sup> to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of filing of an additional Global Plus 3 contract, to be added to the competitive products list.<sup>2</sup>

Customers for Global Plus 3 contracts are Postal Qualified Wholesalers (PQWs) and other large business that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Priority Mail Express International Priority Mail International and/or Commercial ePacket service. In its designation of the baseline contract for the Global Plus 3 product, the Commission noted that the Postal Service stated that the Global Plus 3 product is distinct from Global Plus 1C and Global Plus 2C products because the Global Plus 3 allows the contract partner to act as a reseller for PMEI and PMI at discounted prices.<sup>3</sup> Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers. *Id.* at 5.

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<sup>1</sup> PRC Notice Initiating Docket No. CP2017-250, August 4, 2017

<sup>2</sup> Notice of the United States Postal Service of Filing A Functionally Equivalent Global Plus 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal August 3, 2017 (Notice).

<sup>3</sup> PRC Order No. 3378, June 21, 2016 at 2.

Prices and classifications “not of general applicability” for Global Plus 3 contracts were previously established by Governors’ Decision No. 11-6.<sup>4</sup> In Order No. 3378, the Commission authorized the addition of the Global Plus 3 product to the competitive product list.<sup>5</sup>

In this proceeding, the Postal Service requests the inclusion of an additional Global Plus 3 product to the competitive products list. Notice at 1. The Postal Service has designated the Global Plus 3 contract filed in Docket Nos. CP2016-196 as the “baseline” agreement for comparison of potentially functionally equivalent agreements under the Global Plus 3 grouping. *Id.* at 4

This additional Global Plus 3 contract is scheduled to become effective on August 20, 2017, and remain in effect for a period of one year. *Id.* at 3.

## COMMENTS

The Public Representative has reviewed the Postal Service’s Notice and the supporting financial model filed separately under seal for the Global Plus 3 contract that accompanied the Postal Service’s Notice. Based upon that review, the Public Representative concludes that the Global Plus 3 contract complies with the requirements of section 3633(a), concerning rates for competitive products.

*Product Costs.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

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<sup>4</sup> Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors Decision No. 11-6), March 22, 2011.

<sup>5</sup> PRC Order No. 3378, Docket No. CP2016-196, Order Adding Global Plus 3 to the Competitive Product List and Approval of Designation as a Baseline Agreement, June 21, 2016.

As presented, the Postal Service's financial model does not directly address whether the addition of the Agreement to the Global Plus 3 product grouping will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service's financial model indicates that the negotiated rates in the Agreement will generate sufficient revenue to cover its attributable costs. Therefore, the addition of the Agreement to the Global Plus 3 product grouping should not cause the product's cost coverage to fall below 100 percent - assuming the product currently covers its attributable costs. Under this assumption, the addition of the Agreement should allow the Global Plus 3 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Moreover, the Global Plus 3 product should improve the likelihood that competitive products as a whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3). The Commission will have an opportunity to review the contract's financial results in the future ACD Report for compliance with 39 U.S.C. § 3633(a).

*Functional Equivalence.* The Postal Service states that the Global Plus 3 contract under consideration is substantially similar to the Global Plus 3 baseline contract filed in Docket Nos. CP2016-196. There are differences between this contract and the contract that is the subject of Docket No. CP2016-196. However, the Postal Service does not consider that the specified differences affect the conclusion that this agreement is functionally equivalent in all pertinent aspects. *Id.* at 5. It therefore asserts that the instant contract is functionally equivalent to the baseline contracts. *Id.* at 6. The Public Representative agrees that these differences do not alter the conclusion that the two Global Plus 3 contracts are functionally equivalent.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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